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Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3869)

ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that it has approved the adoption of the Scheme on January 18, 2021. The purposes of the Scheme are (i) to encourage or facilitate the holding of Shares by the Selected Participants; (ii) to encourage and retain the Selected Participants to work with the Group; and (iii) to provide additional incentive for the Selected Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants with the Shareholders through ownership of Shares.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme within the meaning of Chapter 17 of the Listing Rules. The Scheme shall be subject to the administration of the Administration Body in accordance with the Scheme Rules. No Shareholders' approval is required for the adoption of the Scheme.

The Board is pleased to announce that it has approved the adoption of the Scheme on January 18, 2021. A summary of the principal terms of the Scheme is set out in this announcement.

Purposes of the Scheme

The purposes of the Scheme are (i) to encourage or facilitate the holding of Shares by the Selected Participants; (ii) to encourage and retain the Selected Participants to work with the Group; and (iii) to provide additional incentive for the Selected Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants with the Shareholders through ownership of Shares.

The Scheme offers a different form of incentive scheme as compared to the existing Post-IPO SARs Scheme of the Company, since Selected Participants will be entitled to receive Shares upon vesting of the Share Awards under the Scheme, while Post-IPO SARs Eligible Participants will only be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period under the Post-IPO SARs Scheme. Given the difference in nature of the reward under the Scheme and the Post-IPO SARs Scheme, the Company believes that the Scheme will impose less pressure on the Group's cash flow position and enable the Company to prevent substantive cash outflow while allowing added incentives to the Participants to contribute to the Group in the coming future.

Administration

The Scheme shall be subject to the administration of the Administration Body in accordance with the Scheme Rules, in compliance with all applicable laws and regulations (including the Listing Rules) from time to time. The Board has the power to construe and interpret the rules and the terms of the Share Awards granted under the Scheme. The decision of the Board as to all matters relating to the Scheme or its interpretation or effect shall be final and binding on all parties.

The Administration Body may at any time during the duration of the Scheme:

- (a) direct and procure the Trustee to subscribe for new Shares either under its available General Mandate on the relevant date of grant or under a specific mandate approved or to be approved by the shareholders of the Company at such subscription price as the Administration Body may direct; and/or
- (b) direct and procure the Trustee to purchase existing Shares (either on-market or off-market) at such purchase price as the Administration Body may direct,

in each case using funds of the Company subject to compliance with applicable laws and regulations (including the Listing Rules), and to hold such new Shares or existing Shares (as the case may be) for the benefit of all or one or more of the Participants and for the satisfaction of Share Awards granted or to be granted under the Scheme upon vesting. The Company shall procure that sufficient funds are provided to the Trustee.

Eligibility

The following classes of participants (the “**Participants**”) are eligible for participation in the Scheme: (a) directors (including executive directors and non-executive directors), of the Company or any Subsidiary; (b) Employees, officers, agents or consultants of the Company or any Subsidiary; and (c) core management members of any Group Hospital.

Award of Shares

The Administration Body may, from time to time, at its absolute discretion select any Participant to be a Selected Participant and grant Share Awards to such Selected Participant which are to be satisfied by new Shares to be subscribed by the Trustee and/or existing Shares purchased by the Trustee.

The eligibility of any of the Participants to a Share Award and/or the number of Grant Shares shall be determined by the Administration Body, taking into consideration matters such as the contribution of the relevant Participant to the profits of the Group and the general financial condition of the Group.

After the Administration Body has determined the number of Grant Shares and/or the Selected Participants, it shall notify the Trustee and (if the Selected Participants are identified) issue the grant letter to the Selected Participants.

Restrictions

Where any grant of Share Awards is proposed to be made to any Selected Participant who is a Director, such grant must first be approved by the Remuneration Committee and in each case excluding any member who is the proposed Selected Participant.

The grant of a Share Award to any Selected Participant shall be subject to compliance with applicable laws and regulations (including the requirements under the Listing Rules with respect to the grant of Share Awards to connected persons). No grant of the Share Awards shall be made to any Selected Participant, no payment shall be made to the Trustee and no instructions to subscribe for and/or purchase Shares shall be given to the Trustee:

- (a) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules and Part XIVA of the SFO;
- (b) on any day on which the Company's financial results are published and: (i) during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless there are circumstances of the Company that fall within the exceptions under the Listing Rules; or
- (c) in any circumstances which are prohibited under the Listing Rules (including the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules), the SFO or any other law or regulation or where the requisite approval from any applicable governmental or regulatory authority (including the Stock Exchange) has not been granted.

Voting rights of the Shares

The Trustee shall not exercise the voting rights in respect of any Grant Shares, Lapsed Shares or any bonus Shares or scrip Shares attributable to such Grant Shares or Lapsed Shares which are held under the Trust.

Rights attaching to the Share Awards and the Awarded Shares

A Share Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any security or interest in favour of any other person over any of the Restricted Shares pursuant to such grant, any of the Grant Shares or Lapsed Shares, unless as otherwise approved by the Administration Body.

The Selected Participants shall not have any contingent interest in the Grant Shares until such Grant Shares have been vested as Shares in accordance with the terms of the Scheme.

Vesting of the Awarded Shares

The Administration Body may from time to time while the Scheme is in force (i) determine any vesting criteria or periods for the Share Awards to be vested or credited, in which case such Grant Shares shall be treated as Restricted Shares; or (ii) determine that the Share Awards be vested immediately upon acceptance without any vesting conditions, in which case such Grant Shares shall be treated as Unrestricted Shares. Subject to any applicable laws and regulations, the Administration Body may add or waive any restrictions with respect to the vesting criteria, limitations, or conditions with respect to any Selected Participant where in the opinion of the Administration Body it is desirable to do so.

Upon vesting of the Restricted Shares, the Administration Body shall (i) send a vesting notice to the Selected Participant; and (ii) send a letter to the Trustee to confirm, among other things, the fulfillment of the vesting conditions and the number of Vested Shares. Upon vesting of the Share Awards and (where applicable) receipt of the payment of the estimated amount of the Excluded Expenses by the relevant Selected Participant, the Trustee shall, pursuant to the Scheme Rules, transfer the relevant Vested Shares and/or pay the Net Proceeds (and in each case, if applicable, the cash, non-cash income, dividend or distributions and/or sale proceeds of non-cash and non-scrip distributions in respect of those Vested Shares) to the relevant Selected Participant.

In the event that the Selected Participant ceases to be a Participant by reason of his death, his disability, or if he is an Employee, redundancy or severance, or upon winding up of the Company, any unvested Share Awards shall, subject to the satisfaction of the vesting conditions as set out in the grant letter issued to such Selected Participant, continue to vest according to the vesting schedule as set out in the grant letter.

If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the Shareholders (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) resulting in a change in control of the Company, and such offer becomes or is declared unconditional, then notwithstanding the vesting conditions have not been satisfied, the Restricted Shares shall immediately so vest.

Lapse of Share Award

An unvested Share Award shall automatically lapse (the “**Lapsed Shares**”) and shall not vest under certain circumstances, including where the Selected Participant:

- (a) ceases to be a Participant by reason of such Selected Participant (i) being terminated, or being given notice of termination, by the Company or any Subsidiary for Cause; (ii) being summarily dismissed, or being given notice of such summary dismissal by the Company or any Subsidiary in so far as such Selected Participant is an Employee; or (iii) tendering of his resignation (other than in circumstances where he is constructively dismissed);
- (b) ceases to be a Participant by reason of (i) the Subsidiary by which such Selected Participant is employed or contracted with (as the case may be) ceases to be a Subsidiary; or (ii) the Group Hospital in respect of which such Selected Participant is a core management member of ceases to be a Group Hospital;
- (c) becomes bankrupt or fails to pay his debts within a reasonable time after they become due; or has made any arrangement or composition with his creditors generally;

- (d) has been convicted or found guilty or liable for any criminal or civil offence or regulatory sanction involving his integrity or honesty; or
- (e) has been charged, convicted or held liable for any offence under the relevant securities laws in Hong Kong or any other applicable laws or regulations in force from time to time.

The Trustee shall then hold such Lapsed Shares and all cash, non-cash income, dividends or distributions and/or sale proceeds of such non-cash and non-scrip distributions derived therefrom for the benefit of all or one or more of the Participants. A Selected Participant shall have no rights in any cash, non-cash income, dividends or distributions and/or sale proceeds of non-cash and non-scrip distributions in respect of any Lapsed Shares; and any cash remaining in the Trust.

Scheme limit

No Shares shall be subscribed for and/or purchased pursuant to the Scheme, nor any amounts paid to the Trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the Scheme shall exceed in total 10 per cent. of the Company's share capital in issue from time to time.

Alteration of the Scheme

The terms of the Scheme and the Share Awards granted may be altered by the Board provided that any such alteration shall not operate to affect materially adversely any subsisting rights of any Selected Participant. Otherwise, requisite consent of the Selected Participants shall be required in accordance with the terms of the Scheme.

Duration and termination of the Scheme

The Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

Upon termination, no further Share Awards shall be granted and the Company shall notify the Trustee of such termination. Upon receipt of the notification of termination from the Company in writing, the Trustee shall within fifteen (15) Business Days of receiving such notice of termination, or such longer time as the Trustee and the Administration Body may agree from time to time, vest in the Selected Participants all Share Awards referable to the date of termination which are not vested by transferring the same held by and in the trust fund of the Trust to the relevant Selected Participants or his personal representative; and sell all such Shares remaining in the trust set up under the Scheme and remit the proceeds of sale together with any residual cash accrued in the trust set up in under the Scheme, net of all appropriate expenses in connection with such sale in accordance with the Trust Deed, to the Company after the sale.

The Administration Body shall notify the Trustee and the Selected Participants how the outstanding Share Awards shall be dealt with upon termination of the Scheme.

IMPLICATIONS UNDER THE LISTING RULES

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme within the meaning of Chapter 17 of the Listing Rules. No Shareholders' approval is required for the adoption of the Scheme.

In respect of the implementation of the Scheme, where any Share Award is to be satisfied by the new Shares to be allotted and issued by the Company to the Trustee, application shall be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in the new Shares on the Stock Exchange.

Where any Share Award is proposed to be granted to a Selected Participant who is a connected person, the Company shall comply with applicable provisions of the Listing Rules, including reporting, announcement and/or the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Administration Body”	the Board or any committee delegated with the power and authority by the Board to administer the Scheme
“Adoption Date”	January 18, 2021, being the date on which the Scheme is adopted by the Board
“associates”	shall bear the meaning ascribed thereto in the Listing Rules
“Awarded Share(s)”	the Share(s) provisionally awarded to a Selected Participant pursuant to a Share Award
“Board”	the board of directors of the Company
“Business Day”	a day on which commercial banks in Hong Kong and the PRC are open for normal banking business (excluding Saturdays, Sundays and public holidays)
“Cause”	any circumstances under which the Company or the relevant Subsidiary may be entitled to immediately, summarily or without notice terminate the employment, engagement or appointment of the Selected Participant in accordance with the terms of the relevant agreement, arrangement or applicable laws
“Company”	Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3869)
“connected person”	shall bear the meaning ascribed thereto under the Listing Rules

“Directors”	the director(s) of the Company
“Employee”	an employee (including full-time and part-time) of the Company or any Subsidiary
“Excluded Expenses”	all and any expenses, including but not limited to stamp duty, transaction levy, brokerage, tax, social security contributions or withholding tax, payable on the part of the relevant Selected Participant or (where applicable) his/her personal representative and/or the Trustee in respect of any sale, vesting or transfer of Shares pursuant to the Scheme (other than the consideration for the subscription or acquisition of the Grant Shares)
“General Mandate”	the general mandate granted or to be granted by the Shareholders at general meetings or by way of written resolution(s) (as the case may be) from time to time
“Grant Share(s)”	Share Awards to be granted under the Scheme
“Group”	the Company and its Subsidiaries
“Group Hospital”	any hospital owned, managed and/or founded by the Group
“Lapsed Shares”	shall bear the meaning ascribed thereto under the paragraph headed “Lapse of Share Award” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Net Proceeds”	means the net proceeds from the sale of the Vested Shares on the market by the Trustee as instructed by the Selected Participant or his/her personal representative for the payment of the Excluded Expenses, to be paid to the relevant Selected Participant after deducting all Excluded Expenses actually incurred
“Participants”	shall bear the meaning ascribed under the paragraph headed in “Eligibility” this announcement
“Post-IPO SARs”	post-IPO share appreciation rights that may be granted by the Company under the Post-IPO SARs Scheme
“Post-IPO SARs Eligible Participants”	directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of its Subsidiaries

“Post-IPO SARs Scheme”	the post-IPO share appreciation rights scheme adopted by the Company on December 13, 2016
“Remuneration Committee”	the remuneration committee of the Board
“Restricted Shares”	the Grant Shares subject to vesting criteria or restrictions set out in the grant letter issued to Selected Participant
“Scheme”	the share award scheme of the Company, which has become effective on the Adoption Date, as amended from time to time
“Scheme Rules”	the rules of the Scheme, as amended from time to time
“Selected Participant(s)”	any Participant selected by the Administration Body in accordance with the terms of and entitled to receive a grant of Share Award under the Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Award(s)”	award of Restricted Shares or Unrestricted Shares pursuant to the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	shall bear the meaning ascribed thereto under the Listing Rules
“Trust”	the trust constituted by the Trust Deed
“Trustee”	the trustee of the Trust to be appointed by the Company, which will be an independent third party (within the meaning under the Listing Rules) to the Company

“Trust Deed”	the trust deed to be entered into between the Company and the Trustee, constituting the trust set up under the Scheme, as restated, supplemented and amended from time to time
“Unrestricted Shares”	the Grant Shares granted directly to the Selected Participants which the Administration Body determines to be vested immediately upon acceptance without any vesting conditions contemplated under the Scheme
“Vested Shares”	means any Grant Share that has been vested pursuant to the Scheme Rules

By order of the Board
Hospital Corporation of China Limited
Chen Shuai
Chairman

Beijing, China, January 18, 2021

As at the date of this announcement, the Directors of the Company are Mr. CHEN Shuai and Mr. LU Wenzuo being the executive Directors; Mr. SU Zhiqiang, Ms. SHI Wenting, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; and Mr. DANG Jinxue, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.